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DEPARTMENT FOR EUR/SE AND PM/DTCP

E.O. 12958: DECL: 05/31/2026

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SUBJECT: TURKISH DEFMIN HINTS AT FLEXIBILITY ON DEFENSE  
INDUSTRY ISSUES

Classified By: Ambassador Ross Wilson, reasons 1.4 (b) and (d).

11. (C) SUMMARY: Defense Minister Vecdi Gonul hinted at flexibility but revealed little movement on defense industry issues in his May 24 meeting with the Ambassador. He had structured his May 22 reply to the Ambassador's March 24 letter on US industry problems with recent defense tenders to "maintain my flexibility" while relaying SSM's defense of its current practices. In the Ambassador's presence, the Minister instructed SSM to work with Sikorsky to work out contract problems on the pending sale of additional SEAHAWK helicopters. Gonul was also pleased to hear that a Turkish company was likely to get significant work in the JSF program. The Ambassador encouraged the GOT to work with Greece to prevent a recurrence of the May 23 mid-air collision between Greek and Turkish fighter aircraft. End Summary.

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No Big Changes in Turkey's Defense Tender Process Likely  
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12. (SBU) The Ambassador had requested a meeting with Minister Gonul prior to the arrival of the Minister's May 22 response to the Ambassador's March 24 letter on defense industry problems, but coincidentally the meeting occurred after receipt, on May 24. (The letters have been forwarded to the Department (EUR/SE) and DSCA.) Responding to the defensive tone of the attachment to the Minister's letter, the Ambassador explained that his intent was to lay out in a friendly and analytical way our concerns in order to focus political leaders on the key issues and to identify the consequences if American companies continue to opt out of the Turkish defense market. The goal was to find a way forward so that US companies could participate in Turkish defense tenders, an objective both he and the Minister shared. He noted that American defense contractors remain frustrated with Turkey's procurement system. Gonul responded that he had structured his response, signing a brief cover letter to a detailed memorandum, "to maintain my flexibility." He said the memorandum was very detailed and he did not understand all of its nuances. He then invited SSM Aviation Department Chief Sedat Guldogan to join the meeting.

13. (SBU) The Ambassador recalled that Bell and Boeing had declined to bid on the attack helicopter tender, and Sikorsky

and others were struggling to see a way forward to bid on other tenders. On Turkey's utility helicopter program (TSK), Sikorsky was planning to submit a non-compliant bid. Guldogan said he had been working with Sikorsky on provisional changes to the TSK RFP and Sikorsky has informed SSM it will bid if the changes are made and the deadline is extended by three months. SSM is working to meet these conditions. The deadline extension must be decided by the users (the Turkish military and the Forestry Ministry), he said, but SSM has recommended granting it. SSM will not accept non-compliant bids, but Guldogan understood Sikorsky's bid would be compliant with the revised RFP. (Comment: The local Sikorsky representative subsequently told us that the company's bid will be non-compliant even with the RFP changes SSM has promised. End Comment.)

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Minister Instructs SSM to Compromise on SEAHAWKS  
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14. (SBU) Gonul had heard that there were also problems with Sikorsky on the contract to provide eight more SEAHAWK helicopters. He asked Guldogan for an explanation of why Turkish Treasury had rejected the use of EXIM credits that Secretary Rumsfeld, the Pentagon and others had worked so

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hard to get extended. The short repayment period (which had not been extended) increased the relative cost of the credit above market rates, Guldogan replied.

15. (SBU) The Ambassador recalled hearing that there was now a dispute with the company over SSM's refusal to issue a letter of credit. Guldogan acknowledged that SSM had provided such a payment guarantee in the first SEAHAWKS contract and had one in the current draft to meet EXIM requirements. Without

EXIM financing, such a guarantee was not necessary, he maintained. Other companies do not require this, he asserted, and SSM will not procure such guarantees in the future. The Ambassador explained how such letters of credit were standard in international business and necessary collateral for companies to get reasonable financing of contract obligations. Guldogan stated that the 20% advance payment should suffice. The Ambassador noted that the lack of a letter of credit could increase Sikorsky's costs beyond those envisioned when it agreed to the price of the helicopters. Minister Gonul told Guldogan to examine whether SSM could open an escrow account that would serve the same function as a letter of credit, or discuss with Sikorsky whether increasing the advance payment might permit Sikorsky to agree to move forward without the letter of credit. (Comment: The local Sikorsky representative reported that as of June 1 SSM has not followed up with the company; Guldogan is waiting to discuss next steps with Undersecretary Bayar who has been out of the country. End Comment.)

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Minister Pleased with JSF Work-share  
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16. (SBU) The Ambassador informed Gonul of SSM U/S Bayar's discussions in the Pentagon in late March on the Joint Strike Fighter program. USD(AT&L) Krieg had reiterated that JSF was a "best value" program, but Lockheed Martin expected about \$4.5 billion of the work to be sourced in Turkey, including the central fuselage. Gonul was happy to hear this as it was a much higher amount than he had heard previously. He was pleased there would be something on the exterior of the aircraft that he could point to as made in Turkey to help justify the \$10 billion Turkey expected to spend for the JSF -- Turkey's most expensive procurement ever. He was also reassured by the report that USD Krieg had said each country should get the technical information it needed to operate and maintain the aircraft, with only a very few technologies not releasable.

¶7. (C) The Ambassador expressed regret for the May 23 mid-air collision of a Greek and Turkish fighter over the Mediterranean Sea, and appreciation for the Foreign Minister and Turkish General Staff Chief's quick contact with their Greek counterparts to defuse the situation. Gonul said he gave the Greeks a lot of credit for taking a cool initial approach to the incident despite their losing a pilot. He recalled that he and the senior TGS generals were at a funeral ceremony for a soldier who had been killed by the PKK at the time of the accident. The Ambassador encouraged the GOT to work with the GOG to prevent similar events in the future.

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